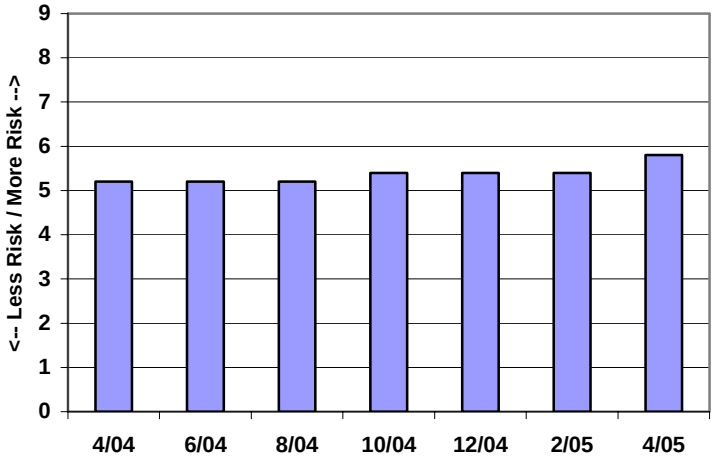
Project Manager: John Anderson **MOSTD Staff:** Tom Parma
Project Director: Bob Covington (360) 902-3552
Executive Sponsors: Doug Porter, Assistant Secretary; Heidi Robbins Brown, Deputy Assistant Secretary tparma@dis.wa.gov

Severity/Risk Rating: High (high severity, high risk) **Oversight:** Level 3 – ISB

Project Risk Assessment



Staff Recommendations to the Board: ISB oversight staff recommends the following:

1. Approve the amended investment plan as follows:
   - The investment cost increased to $110.5 million; the amount approved last year was $70 million. The cause for the increase is twofold: 1) the amount proposed by the vendor was greater than DSHS estimated in their investment plan, and 2) DSHS received approval to move a portion of the maintenance and operations work as associated costs into the design, development, and implementation (DDI) phase of the project in order to maximize federal reimbursement.
   - The revised project schedule is 30 months for DDI; the schedule approved last year was 24 months. The federal Centers for Medicare and Medicaid Services (CMS) originally mandated a 24 month schedule but allowed DSHS to ask vendors to propose an alternate schedule if they felt it was warranted.

2. DSHS set firm dates for the project management/governance deliverables and hold their vendor, Client Network Services Incorporated (CNSI), to those dates. The Workplan, Change Control Process, Issue Resolution Process, Risk Management Plan, and Communications & Coordination Plan are late per the approval dates agreed to in the contract. DSHS and CNSI agreed upon a revised set of dates. Except for possibly the Communications & Coordination Plan, these revised dates will also be missed.

3. DSHS require CNSI to provide Collaborative Application Design (CAD) facilitators that have the knowledge and expertise necessary to lead the claims and financial sessions. These facilitators must be provided as soon as possible.

Project Synopsis: The project is experiencing start-up difficulties primarily in two areas: project management/governance deliverables and CAD sessions. DSHS has not yet approved the first set of deliverables: the work plan, risk management plan, issue resolution process, change control process, and communications and coordination plan. Several individuals responsible for these deliverables have also been engaged in the CAD sessions.

DSHS and CNSI are participating in CAD sessions. They are conducting 30 sessions across 12 functional areas. Nine of the 12 areas are progressing well; three have been problematic for two reasons: 1) the quality of CNSI's CAD facilitators has been inconsistent, resulting in work-product quality that is unacceptable to DSHS; or 2) the facilitators do not have the business knowledge needed to facilitate these functional areas. The difficulty of maintaining consistency across the multiple CAD sessions points out the importance of the Business & Cultural Change Plan and the Communications & Coordination Plan currently in development. One of the January 2005 ISB staff recommendations stated, "The project team and QA should pay particular attention to the effectiveness of internal coordination and cooperation among the DSHS administrations … [m]anaging the myriad of relationships will be a challenge."

Governor Gregoire appointed Robin Arnold-Williams as the new DSHS Secretary on March 8th. Ms. Arnold-Williams previously served as the executive director of the Utah Department of Human Services since 1997.

Variances:
Schedule: None on the critical path. However, the first five deliverables (work plan, risk management plan, issue resolution process, change control process, and communications and coordination plan) were due from CNSI in March. Because of the protest, the delivery was pushed back to mid-April. DSHS has reviewed these and provided comments back to CNSI, but has not yet accepted the deliverables.

Budget/Cost: The most recent budget report through February 28, 2005 shows expenditures to date equaling $3,630,919 and a positive variance of $2,651,109 due primarily to underutilization of staff to date (54% of variance). DSHS expects to expend the remaining funds by the end of the fiscal year for the remaining CAD session.

Scope: Since the last report period, DSHS executives have made the decision to include childcare payments in the scope of MMIS, making the new system the primary provider payment system for the entire agency. Also as stated in the last report, the RFP requested a three phase approach to the project. DSHS, in consultation with CNSI, made the decision to combine Phases II and III into a single phase in order to reduce the impact on providers, agency staff, and clients. This change does not impact the 29-month DDI effort for Phase I, nor does it affect the overall timetable, scope, budget or deliverables for the post-Phase I project.

- Phase I will replace the current MMIS functionality, which includes most medical Medicaid payments and all nursing home payments.
- Phase II will include payments for all other DSHS Medicaid and non-Medicaid services provided to DSHS clients.

Resources: DSHS has conditionally approved a CNSI-proposed change to the Pharmacy subsystem vendor. CNSI originally proposed Gould Health Systems (GHS). DSHS was concerned about the extent of changes that would be needed to implement this system. CNSI recommended replacing GHS with SXC Health Solutions (Systems Excellence Corp.). DSHS project and business personnel evaluated this new proposal and determined that SXC was a much better match to DSHS' requirements. The SXC system would need much less customization, primarily in the federal drug rebate system. DSHS is mitigating the risk

associated with this change by granting conditional approval; the change cannot increase the proposed costs or negatively impact the schedule.

Risks/Mitigation Tasks:
CNSI has not completed contract negotiations with at least one of its subcontractors. This situation has not yet affected the schedule. Although DSHS continues to monitor the situation, the agency is not involved in any way with the negotiations.

The project documented 11 issues before CAD sessions began in early March; an additional 35 have been identified during CADs, for a total of 46. Some issues are on the critical path to complete design efforts; resolution of others may occur later. DSHS has decision-making and escalation processes in place to address and resolve these issues. Staff have been assigned to the issues and they are receiving appropriate attention based on their priority and impact. Many issues have cross-Administration impacts, and therefore, require an enterprise approach that may have policy or scope implications.

This implementation will be CNSI's second implementation of its system. The first implementation was in Maine, which is in the very early stages of production. This lack of extensive MMIS implementation experience represents a risk to the project and has been identified in the February 9, 2005 QA report, Appendix A – Risk Identification and Mitigation Matrix #6, which was previously distributed to the Board.

The following are open risks being monitored by project management staff. DSHS has closed several risks and does not include them in this list, but continues to monitor them:

ID	Risk	Probability/ Severity	Mitigation Strategy	Status/Comment
9	Insufficient time to develop and approve governance deliverables	High/Low	• Analyze impact to critical path if schedule for these deliverables slips • Redirect resources, priorities, if needed or adjust work plan schedule	Adjust work plan schedule as these are not on the critical path.
10	Insufficient review cycles for project deliverables in CNSI's Revised Work Plan	High/High	• Analyze concurrency of reviews and impact on participants • Identify alternative participants, if possible • Analyze critical path, availability of slack in schedule • Work with CNSI to stagger delivery, if possible – assess impact to schedule	CNSI has modified the work plan to stagger key deliverables. Continue to monitor for schedule impact, and changes in critical path. As part of the overall Risk Management approach, identify a mitigation strategy for schedule contingencies.

ID	Risk	Probability/ Severity	Mitigation Strategy	Status/Comment
11	Unclear decision-making framework	High/High	• Identify a framework based on Enterprise Architecture Program principles and lessons learned • Identify a cross administration management group for vetting recommendations before going before Executive Steering Committee (ESC) • Obtain ESC approval of the recommended framework	Decision Making Framework adopted by Executive Steering Committee (ESC). Key Staff Committee formed. Continue to implement and monitor. Refine as needed.

New MMIS Technology: The current vendor, ACS, operates the MMIS system. IBM is the proposed data center operations subcontractor responsible for operating the system at its data centers. The main production facility will be the IBM data center in Boulder, Colorado, the Disaster Recovery and Integrated Test Facility will operate in IBM's Southbury, Connecticut facility, and the Interactive Voice Response (IVR) and telephony servers will be located at DSHS facilities in Olympia.

The proposed application will run in a UNIX environment and make use of CNSI's eCAMS MMIS core software, iChoice rules engine, Oracle 11i financials, MedStat decision support system, and the Siebel Call Center Support System. As stated earlier, CNSI has proposed replacing the pharmacy point of sale software from GHS with software from SXC.

Budget: The budget for design, development, and implementation for all phases is $110.5 million. The contract with CNSI includes design, development, and implementation as well as ongoing system maintenance and operations. The term of the contract is 8 years. The overall project budget, including maintenance and operations, is $178,212,919.

Schedule:

Milestones / Phases	Baseline Start	Actual Start	Baseline Finish	Actual Finish
Requirements Analysis	9/03	9/03	2/04	2/04
RFP Release and Vendor Selection	7/1/04	6/14/04	10/1/04	10/12/04
Negotiate Contract/CMS Approval	10/1/04	10/13/04	1/18/05	1/12/05
Infrastructure Upgrade	7/04	7/04	12/06	
Design – Planning and Start-up Activities	1/18/05	1/18/05	3/10/05	
Design – Requirements Specification	3/4/05	3/4/05	7/5/05	
Design – General and Detailed Design	5/27/05		12/23/05	
Development	4/27/05		11/06/06	

Milestones / Phases	Baseline Start	Actual Start	Baseline Finish	Actual Finish
Testing	7/05/05		3/27/06	
Operational Readiness	1/12/05		6/30/07	
• Phase 1: replace existing MMIS • Phase 2: migrate remaining Medicaid and selected non-Medicaid payments	1/18/05 7/1/07		6/30/07 6/30/09	
Certification	7/01/07		3/05/08	
Maintenance and Operations	7/01/07		12/30/12	
Next Procurement	12/30/12			

Background Information

Washington's MMIS is a 1970's legacy system comprised of over 1,400 programs and 3,000,000 lines of COBOL code. As with most of these types of systems, it is a VSAM flat file application that relies on extensive hard coded program logic. It was designed to support a single benefit, fee for service Medicaid program. Even routine policy and maintenance updates require program changes and modifications to the data structure, and require recompiling numerous programs followed by significant regression testing.

The Washington MMIS contract was awarded to Consultec Incorporated (now ACS State Healthcare) in 1982; ACS imported Iowa's 1970s vintage MMIS system. Washington's MMIS became operational in 1983. Following a competitive procurement process for ongoing operations in 1989, the contract was again awarded to ACS.

The system is a CMS certified MMIS with the six subsystems required by the State Medicaid Manual. Added functionalities include: a pharmacy point of sale system for processing drug claims and a decision support system to support ad hoc reporting, Management and Administrative Reporting System (decision support) and Surveillance and Utilization Review Subsystem (fraud) reporting, and the Payment Review Program.

The MMIS processes over 24 million claims annually and pays over $3 billion to participating Medicaid providers. The principal transactions are: fee for service claims (over 85% are submitted electronically); and, capitation payments to managed care plans on behalf of enrolled Medicaid clients.

Major improvements/enhancements to the system since 1989 include:

- 1991 Drug rebate subsystem implemented
- 1993 Primary Care Options Program (PCOP) implemented to support MAA's focus on maximizing managed care for Medicaid clients
- 1996 Pharmacy point of sale (POS) system implemented
- 1999 Access to the MMIS migrated from IBM 3270 terminals to the MAA LAN. A computer output to laser disc (COLD) system installed for electronic storage and retrieval of standardized MMIS reports
- 2000 DSS implemented
- 2001 OMNITRACK call management system implemented
- 2002 PRISM pharmacy benefit management program implemented